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joint economic committee
minority

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RANKING MEMBER

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How Do People Afford To Send Their Kids To College?

Dear Colleague:

Recently, I introduced you to David and Lisa and their 2 children. They are a fictional family, whose economic situation is based on national averages taken from official statistics. By learning more about how they cope with day-to-day economic challenges, I hope we will gain a deeper understanding of how the majority of American families are faring in the current economy.

Please refer to the Democratic staff web site, www.house.gov/jec_democrats/ in order to learn more of the details of this project. To refresh your memory, David and Lisa live in Bedford Falls with their kids, Austin (age 17) and Emily (age 15). David fixes and services heating and A/C equipment and Lisa is an occupational therapy aid. Their combined after-tax, annual take-home pay is roughly $40,000.

Their son Austin graduated high school in June and is planning to attend the University of Missouri-Columbia in the fall, in part, in order to take advantage of cheaper in-state tuition. David and Lisa's excitement over their son's achievements have been tempered by the high cost of college. The following are the costs for one year, estimated by the University of Missouri-Columbia:

In-state tuition and fees	$4,299
Room and board	4,666
Books/supplies	785
Subtotal	$9,750

The University estimates that students should budget at least an additional $2,000 for other expenses, such as transportation to and from school, health care, and expenses which will arise during the year. This brings the total cost to approximately $11,750 a year.

Austin was an average student, and thus was not eligible for a scholarship from the University of Missouri. He did receive a $750 scholarship from the State of Missouri. In addition, Austin did not qualify for financial assistance, since David and Lisa's combined income was just above the cut-off. Austin will have no choice but to work part-time while he is at school, which should bring in about $3,500 a year. He will need to get the rest from his parents or take out a loan.

Anxious over how they were going to afford college for their 2 children, David and Lisa set up a “college fund” when Austin began high school four years ago. They figured that if they put away $150 a month over the following 10 years, at an interest rate of 7 percent, they whould be able to save about $10,000 per child for college expenses. This would enable them to contribute $2,500 a year to each child for their education.

Scholarships	$ 750
“College Fund”	2,500
Part-time work	3,500
Subtotal	$6,750
Estimated costs of college	$11,750
Shortfall	$5,000

Austin will have to borrow the remaining $5,000 a year in order to meet all the expenses at the University of Missouri-Columbia. If he is lucky, the terms of the loan will allow him to wait until after he finishes school before he has to start making payments. Assuming no increase in tuition costs over the 4 years, Austin will begin his career loaded down with at least $20,000 of debt.

As you can see, David and Lisa have worked out a way to send their son to college. But they are walking very close to the edge. Any unexpected expense could jeopardize Austin’s college education.

This is how the majority of people in America “afford” to send their kids to college. Austin is lucky. Through his parent’s small amount of saving, a lot of hard work, and an accumulation of debt, Austin may be able to afford 4 years of college. This, in turn, should enable him to find a job that pays a decent salary. Millions of his peers may not be as fortunate, dooming them to careers of low-wage jobs.

Sincerely,

Pete Stark, MC
Ranking Member